

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
January 22, 2004
Room 305, State Capitol**

MEMBERS PRESENT: Sen. Thomas Hatch, Co-Chair
Rep. David Ure, Co-Chair
Sen. Parley Hellewell
Rep. Craig W. Butters
Rep. Carl W. Duckworth
Rep. Ben C. Ferry
Rep. James R. Gowans
Rep. Michael Noel
Rep. Darin G. Peterson
Rep. Michael R. Styler
Rep. R. Curt Webb

MEMBERS ABSENT: Sen. Ron Allen

STAFF: Steven Allred, Fiscal Analyst
Cindy Hopkin, Committee Secretary

SPEAKERS: Kevin Carter, Director, Trust Lands Administration
Lisa Y. Schneider, Finance Director, Trust Lands Administration
Rick Burnett, Executive Director, Utah State Fair Park
Donna Dahl, Outgoing Exec. Dir., Utah State Fair Park

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen. Hatch called the meeting to order at 2:19 p.m.

Sen. Hatch welcomed everyone and had all the committee members, staff and visitors introduce themselves.

MOTION: Rep. Gowans moved to approve the minutes of August 20, 2003. The motion passed unanimously with Sen. Allen and Rep. Ure absent for the vote.

Mr. Steven Allred, Fiscal Analyst, presented the committee with an overview of the hearing schedule and the Fiscal Year 2005 budget. Utah's economy improved only slightly in 2003, so the Executive Appropriations Committee has allocated prior year ongoing appropriations, with no budget increases, to subcommittees. Mr. Allred's recommendations do not presently consider compensation funding increases, but do recommend some items for General Fund increases if funds become available later. The subcommittee was asked to prepare and prioritize a list of critical issues they would recommend subject to funding availability. Mr. Allred distributed handouts to the subcommittee.

In spite of the economic downturn, the Legislature has been funding increased benefits costs for state employees. Last session, general funds alone were \$686,600 to finance retirement, health and dental benefit increases for state employees and all funds considered was \$1.7 million. In spite of all the cuts we've looked at the last two or three years, there have also been ongoing increases that have been add back to the budget. Mr. Allred recognized the Legislature's work in not only cutting, but also finding money for increases. The total budget for FY 2005 is \$156M of which \$43M comes from the general fund.

Rep. Michael R. Styler stated that last year a \$12M supplemental appropriation was needed to pay for fires throughout the state. This year no supplemental was asked for at all. He suggested that a yearly amount be put in the fire suppression fund to be used in years when fires would make such a supplemental needed.

Kevin Carter, Director, Trust Lands Administration (with the assistance of Lisa Schneider, Finance Director), gave a presentation about the Board's accomplishments and personnel changes.

Recent Accomplishments--

- FY 2003 income of \$50+ million
- Permanent Fund balance approaching one-half billion dollars
- Attempts to make productive land exchanges
- Expansion of development activities
- Public Buildings grant land sale

Personnel Changes: From the code in the Trust Lands Management Act which was passed in 1994 it was the intent of the Legislature that the Board try to manage the Trust Land Administration similar to a business rather than a government agency. Mr. Carter discussed exempt employee and merit employee policies.

Mr. Ruland Gill, Trust Lands Board, spoke about the Board's decisions regarding exempt employees and merit employees. He stated that it is a successful program in spite of criticism.

Mr. Allred mentioned that Utah was the first state to receive 4 sections per township for the support of the common schools. Also, 1/3 of the private land in the state is former trust lands.

SITLA was established under UCA 53C-1-201 as a quasi-governmental independent state agency to manage all school and institutional trust lands and associated assets. The State Treasurer handles SITLA's investments. Interest income from the Permanent School Fund is directly distributed to individual schools.

Total revenues generated in FY 2003 were \$59.3 million. Of this amount, \$30.6 million came from mineral lease rentals/royalties, \$10.5 million came from gains on sales of developed land, \$4.6 million came from land surface sales, and \$10.4 million came from investments.

Revenues have flattened out over the past three years while expenditures have consistently risen due to increasing capital investments that may pay off later.

Almost 97% of the current trust land holdings are for public schools. In FY 2003 approximately 3,300 acres of Public Buildings land was sold to help finance Capitol Hill construction. This freed up other funds for general government purposes.

Auditing to check for contract compliance is critical to SITLA's ability to generate revenues. Mr. Allred recommended \$40,000 in additional funds be appropriated to allow the agency to outsource some of its audit functions.

The Development - Capital program has seen steady growth in revenue potential. Some raw land needs to have improvements made in order to be in position to generate revenue. In the 2002 General Session, the Legislature added \$1M to this program. This year the agency requests another \$1M. Mr. Allred supports the request but has reservations about increasing it in the future, as it is not desirable for SITLA to become known as a possible financing source for speculative interests.

Mr. Steven Allred submitted the budget recommendations for SITLA, referring to pages 9-23 of Tab 16 in the binder. The total recommended budget was \$11,368,800, entirely from the Land Grant Management Fund.

Rep. David Ure reviewed page 6 of the budget and Mr. Carter answered questions regarding the 45,000 Reservoir Fund acres and the 255 Public Buildings acres that are in the trust lands current holdings. Rep. Ure asked to find out where these properties are, to have an analysis of the properties and their value and to find out what may be done with the property.

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Rick Burnett introduced himself as the new Utah State Fair Director. Donna Dahl, outgoing State Fair Director, assisted him in presenting Fair business and answering questions.

Sen. Thomas Hatch welcomed the State Fair Corporation and told them that he and Rep. Ure had requested the opportunity to assist the Utah State Fair. He stated that about 1/3 of the State Fair budget had been cut and the rest was sent to this committee.

Donna Dahl, the outgoing Executive Director, reported that \$200,000 is needed by July to pay for the contracts for the Fair. She mentioned a letter of support she received from the governor and from legislative leadership.

Sen. Hatch discussed some of his ideas for generating some ongoing revenues for the Fair budget.

Ms. Dahl referred to Mr. Allred's chart on page 97 of Tab 3. The Fairpark was privatized in 1995 based on the recommendations of a study committee directed to find a way to help the Fairpark become self-sufficient. However, the legislation allowed the new corporation to receive annual appropriations from the state until it could become self-sufficient. The state leases all 64 acres of Fairpark property to the corporation for \$10 per year.

Since 1995 the corporation has attempted various things to increase revenues. These include having private groups build a science center, aquarium, and amphitheater, and bonding to construct a large multipurpose arena and sports facility. For various reasons these proposals have all fallen through. Other ideas such as selling the property and moving the fair have also been reviewed. The last major study was completed by a committee in 2001, which recommended keeping the fair at its current site and finding a permanent means of funding for facilities.

Rep. Ferry asked if the Fair Corporation should maintain its independence or be brought back to being quasi-governmental.

Ms. Dahl feels that maintaining the Fair Corporation's independence would be more effective, but states that they need reserve operating capital.

Mr. Allred presented the Fairpark budget. The 2003 fair (FY 2004) showed improved visitation over 2001 and 2002, but the corporation is still projecting a net loss for the fiscal year. The Fair Board has directed the corporation to request sufficient general funds to break even in FY 2005.

Mr. Allred recommends a base General Fund appropriation of \$443,300. This recommendation represents state funding for approximately twelve percent of all Fairpark revenues.

MOTION: Rep. Gowans moved to adjourn. The motion passed unanimously with Sen. Allen and Rep. Styler absent for the vote.